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Senator

Senate Of Virginia

Testimony

Before the Committee on Resources

United States House of Representatives

Hearing on H.R. 4761: the “Domestic Energy Production through Offshore Exploration and Equitable Treatment of State Holdings Act of 2006”

June 14, 2006

Thank you, Chairman Pombo, Congressman Rahall, for the opportunity to testify before you today.

As I am sure you are aware, over the past two years the Virginia General Assembly has voted overwhelmingly to allow exploration and development of our offshore natural gas resources and requests that the federal government rescind the existing moratorium off the Virginia coastline. In 2005, then Governor Warner vetoed my bill, SB 1054. However, his veto was predicated not on his objection to offshore development, but his feeling that the issue required additional study, undertaken last year.

Virginia’s study of the issue was completed in January 2006. The conclusion drawn was that, with the appropriate environmental safeguards and distance from shore, Virginia would gain significant benefits from such exploration and development.

I introduced Senate Bill 262, the Virginia Energy Plan, during the 2006 session of the General Assembly. This legislation enacts a comprehensive energy plan, focused on increasing supply, improving delivery redundancies and reducing demand through conservation.

Mr. Chairman, Virginia took this bold step, not as a visionary leap to the future, but out of an absolute, cold reality unfolding throughout the Commonwealth right now—today. Post-Hurricane Katrina, we were able to grasp the extent of vulnerability in our energy infrastructure. It is true that no one measure will cure Virginia’s—or the nation’s—energy ills. However, development of our offshore resources is a critical part of Virginia’s energy plan. H.R. 4761 is exactly what Virginia has been asking for over the past two years. We thank Congressman Jindal, Congressman Melançon and you, Mr. Chairman, for moving forward and allowing states to control their own destinies, while opening a broad new horizon for America’s energy access.

Mr. Chairman, H.R. 4761 demonstrates tremendous foresight. Not only does the legislation allow states to opt out of existing moratoria, but also allows states to share in royalty revenues derived from the development of those resources. The last two actions on OCS legislation by the Virginia General Assembly were approved on the premise that the legislation in Washington would include revenue sharing. The Virginia Energy Plan states that any revenue derived from offshore activity would be divided as follows:

40% dedicated to the clean-up of the Chesapeake Bay; 40% for transportation needs (those of you who drive in Virginia know about our traffic problems); 10% dedicated as tax incentives for conservation and renewables; 5% for development of clean coal technologies and 5% for research and development of marine renewables, including methane hydrates.

Mr. Chairman, when those of us involved in the study of the energy plan took a long look at the energy

woes confronting Virginia, we determined that there is not an energy shortage problem; there is an energy policy problem. And, because it is a policy problem, industry—the private sector—cannot fix it. Government, at whatever level, created the policies. Thus, Government must fix the policies. Given the right policy atmosphere, American ingenuity and business acumen will develop the solutions.

Given the current global situation and underlying inflationary pressures brought on in no small part by increasing energy prices, it is no wonder that our well-documented vulnerabilities in national security exist because of our continued dependence on foreign oil.

In observing our ever-expanding negative balance of trade, we in Virginia have determined, as I am sure you have in Washington, that to the maximum extent possible, Americans, producing American energy for use by American consumers and American industry, is a laudable goal.

H.R. 4761 is a giant step down this avenue. Mr. Chairman, I know I do not need to remind you of what you know so well, that the availability of low cost natural gas is absolutely essential to the economic well being of the United States. Natural gas is a key ingredient in the majority of processes in the chemical industry. It is irreplaceable in the manufacture of some of the most common types of fertilizers. Because of its most important attribute, that it is the cleanest burning fossil fuel, it has been the fuel of choice in recent years for nearly every new electric generation plant brought on line. However, because natural gas prices depend on the source of the gas and whether and how far it is transported, we pay more for natural gas here in the U.S. than any other *industrialized* country in the world.

If we are to maintain our petrochemical industry, our leading role in agriculture and our tremendously successful efforts to clean our air by generating electricity with the cleanest-burning fossil fuel, we simply must expand our access to supplies of natural gas.

Mr. Chairman, because the debate has been raging as a result of actions taken by the General Assembly over the last two years, many Virginians are more aware of what is involved in offshore production activities than residents of states that are not embroiled in the issue. Recently, I conducted a poll, as did my congresswoman, Rep. Thelma Drake, to gauge the willingness of the citizens in my district, the coastal community of Virginia Beach, to allow OCS activity off Virginia's coast. After two years of relatively intense, negative media attention, my constituents—an overwhelming 75%--(and I believe the percentage was higher in Congresswoman Drake's district) supported offshore exploration and development of our offshore resources.

Mr. Chairman, H.R 4761 fulfills the will of the Virginia General Assembly over the past two years, which is to open the OCS off the coast of Virginia for exploration and development of natural resources. I want to applaud the leadership provided by you, Mr. Chairman, Congressman Jindal, Congressman Melançon and the other co-patrons of this legislation.

On behalf of the Virginia General Assembly and the 75% of my constituents in Virginia Beach, whom I have the honor and the privilege to serve in the Senate of Virginia, I urge you to vote for passage of this most important piece of legislation.

Thank you for allowing me to testify before you today. I would be happy to answer any questions at the appropriate time.